

Arizona Corporation Commission  
**BEFORE THE ARIZONA CORPORATION COMMISSION**  
**DOCKETED**

WILLIAM A. MUNDELL  
CHAIRMAN  
JIM IRVIN  
COMMISSIONER  
MARC SPITZER  
COMMISSIONER

NOV 20 2001

DOCKETED BY

CLP

IN THE MATTER OF U. S. WEST  
COMMUNICATIONS, INC.'S COMPLIANCE  
WITH SECTION 271 OF THE  
TELECOMMUNICATIONS ACT OF 1996.

DOCKET NO. T-00000A-97-0238

DECISION NO. 64216

**ORDER**

Special Open Meeting  
November 16, 2001  
Phoenix, Arizona

**BY THE COMMISSION:**

Having considered the entire record herein and being fully advised in the premises, the Arizona Corporation Commission ("Commission") finds, concludes, and orders that:

**FINDINGS OF FACT**

1. The Federal Telecommunications Act of 1996 ("1996 Act") added Section 271 to the Communications Act of 1934. The purpose of Section 271 is to specify the conditions that must be met in order for the Federal Communications Commission ("FCC") to allow a Bell Operating Company ("BOC"), such as Qwest Corporation ("Qwest" or the "Company"), formerly known as US WEST Communications, Inc. ("US WEST")<sup>1</sup> to provide in-region interLATA services. The conditions described in Section 271 are intended to determine the extent to which local phone service is open to competition.

2. Section 271 (c)(2)(B) sets forth a fourteen point competitive checklist which specifies the access and interconnection a BOC must provide to other telecommunications carriers in order to satisfy the requirements of Section 271. Section 271 (d)(2)(B) requires the FCC to consult with state commissions with respect to the BOC's compliance with the competitive checklist. Also, Subsection (d)(2)(A) requires the FCC to consult with the United States Department of Justice.

3. Section 271(c)(2)(B)(v) requires a BOC desiring to make an application pursuant to

<sup>1</sup> For purposes of this Order, all references to US WEST have been changed to Qwest.

section 271 to provide or offer to provide "[l]ocal transpor." from the trunk side of a wireline local exchange carrier switch unbundled from switching or other services."

4. Section 271(c)(2)(B)(ii) requires a Section 271 applicant to provide "[n]ondiscriminatory access to network elements in accordance with the requirements of sections 251(c)(3) and 252(d)(1).

5. Section 251(c)(3) establishes an incumbent LEC's ("ILEC") duty to provide, to any requesting telecommunications carrier for the provision of a telecommunications service, nondiscriminatory access to network elements on an unbundled basis at any technically feasible point on rates, terms, and conditions that are just, reasonable, and nondiscriminatory in accordance with the terms and conditions of the agreement and the requirements of [section 251] . . . and 252."

6. The FCC has required that BOCs provide both dedicated and shared transport to requesting carriers.<sup>2</sup>

7. In Decision No. 60218 (May 27, 1997) the Commission established a process by which Qwest would submit information to the Commission for review and a recommendation to the FCC whether Qwest meets the requirements of Section 271 of the 1996 Act.

8. On February 8, 1999, Qwest filed a Notice of Intent to File with the FCC and Application for Verification of Section 271(c) Compliance ("Application"), and a Motion for Immediate Implementation of Procedural Order. On February 16, 1999, AT&T Communications of the Mountain States, Inc. ("AT&T"), GST Telecom, Inc. ("GST"), Sprint Communications Company, L.P. ("Sprint"), Electric Lightwave, Inc. ("ELI"), MCI WorldCom, Inc., on behalf of its regulated subsidiaries ("MCIW"), and e-spire Communications, Inc. ("e-spire") filed a Motion to Reject Qwest's Application and Response to Qwest's Motion.

9. On March 2, 1999, Qwest's Application was determined to be insufficient and not in compliance with Decision No. 60218. The Application was held in abeyance pending supplementation with the Company's Direct Testimony, which was ordered pursuant to Decision No. 60218 and the June 16, 1998 Procedural Order. On March 25, 1999, Qwest filed its supplementation.

<sup>2</sup> In the Matter of the Application by Bell Atlantic New York for Authorization Under Section 271 of the Communications Act to Provide In-Region, Inter-LATA Service in the State of New York, Memorandum Opinion and Order, CCDocket No. 99-295 (Rel. December 22, 1999) ("Bell Atlantic New York Order").

10. By Procedural Order dated October 1, 1999, the Commission bifurcated Operational Support System ("OSS") related Checklist Elements from non-OSS related elements.

11. In its December 8, 1999 Procedural Order, the Commission instituted a collaborative workshop process to evaluate the non-OSS Checklist Items. The December 8, 1999 Procedural Order directs Staff to file draft proposed findings of fact and conclusions of law for review by the parties within 20 days of each Checklist Item being addressed. Within ten days after Staff files its draft findings, the parties are to file any proposed additional or revised findings and conclusions. Staff has an additional ten days to issue its Final Recommended Report.

12. For "undisputed" Checklist Items, the Commission Staff submits its Report directly to the Commission for consideration at an Open Meeting. For "disputed" Checklist Items, Commission Staff submits its Report to the Hearing Division, with a procedural recommendation for resolving the dispute.

13. On October 10, 2000, the first Workshop on Checklist Item No. 5 (Unbundled Local Transport) took place at Qwest's offices in Phoenix. Parties appearing at the Workshop included Qwest, AT&T, Sprint, ELI, MCIW, e.spire, Eschelon Telecom, Inc. ("Eschelon") and Allegiance Telecom. Qwest relied on its supplemental testimony filed in July 2000. AT&T, MCIW, e.spire, Eschelon and Z-Tel filed Additional Comments on September 21, 2000. Qwest filed Rebuttal Comments on September 29, 2000, and a supplemental rebuttal affidavit on October 31, 2000.

14. On April 9, 2001, another Workshop convened to resolve outstanding issues regarding Checklist Item No. 5.

15. The parties were able to resolve many issues at the two workshops, but were unable to come to agreement on four issues concerning Checklist Item 5. On May 18, 2001, AT&T, MCIW, Covad and Qwest filed Statements of Position on the impasse issues.

16. Pursuant to the June 12, 2000. Procedural Order, on August 14, 2001, Staff filed its Proposed Findings of Fact and Conclusions of Law for Checklist Item No. 5 Unbundled Local Transport ("Proposed Report").

17. AT&T, MCIW and Qwest filed Comments on Staff's Proposed Report.

18. On October 1, 2001, Staff filed its Final Report on Qwest's Compliance with

1 Checklist Item No. 5 – Unbundled Local Transport (“Final Report”). A copy of Staff’s Final Report  
 2 is attached hereto as Exhibit A and incorporated herein by reference.

3 19. On October 11, 2001, Qwest filed Comments to the Staff Final Report. Qwest accepts  
 4 all of Staff’s recommendations except it does not agree with the recommendation to authenticate all  
 5 instances where it claims regeneration is necessary (first disputed issue) or the recommendations  
 6 concerning Unbundled Dedicated Interoffice Transport and Extended Unbundled Dedicated  
 7 Interoffice Transport (second disputed issue).

8 20. AT&T filed a Response to Qwest’s Comments on October 22, 2001.

9 21. Staff filed a Reply to Qwest’s Comments on October 24, 2001.

10 22. We find that the existing record is sufficiently developed to resolve the disputed issues  
 11 relating to Checklist Item No. 5 without a hearing.

12 23. The first impasse issue is whether the CLEC should be required to pay a separate  
 13 regeneration charge to receive dedicated transport at its collocation.

14 24. Regeneration is the act of restoring a signal to its original shape. Signals need to be  
 15 regenerated because they become distorted and acquire noise during transmission.

16 25. Qwest’s SGAT Section 9 addresses Unbundled Network Elements. Section 9.1.10  
 17 provides:

18 --Channel Regeneration Charge. This charge is required when the  
 19 distance from the Qwest network to the leased physical space (for Physical  
 20 Collocation), the collocated equipment (for Virtual Collocation), or the  
 21 ICDF (for ICDF Collocation) is of sufficient length to require  
 22 regeneration.

21 Section 9.6.2.1 provides:

22 To the extent that CLEC is ordering access to a UNE Combination, and  
 23 cross-connections are necessary to combine UNEs, Qwest will perform  
 24 requested and necessary cross-connections between UNEs in the same  
 25 manner that it would perform such cross-connections for its end user  
 26 customers or for itself. If not ordered as a combination, CLEC is  
 27 responsible for performing cross-connections at its Collocation or other  
 28 mutually determined demarcation point between UNEs and ancillary or  
 finished services, and for transmission design work including regeneration  
 requirements for such connections. . . .

Section 9.6.2.2 provides in pertinent part:

CLEC must order all multiplexing elements (if it chooses the multiplexing  
 option) and regeneration requirements with its initial installation . . . .

1           26.     AT&T argues that CLECs should not pay for regeneration from the interoffice frame  
2 to the CLECs' collocation. Qwest controls the location of the CLEC's collocation arrangements, and  
3 based on Qwest's decision, regeneration may or may not be necessary for all or some of the CLECs  
4 collocated in a central office. Such charges would violate the requirement that Qwest provide  
5 network elements on a nondiscriminatory basis to CLECs.

6           27.     Citing the *Second Report and Order*<sup>3</sup>, Covad states that the FCC has made clear that  
7 Qwest may not assess a channel regeneration charge under any circumstance.

8           28.     Qwest believes that AT&T and Covad are simply trying to avoid paying for the costs  
9 they cause Qwest to incur. Qwest also disputes that it has control over where a CLEC is collocated  
10 as there are practical limits, especially in wire centers with high demand for collocation, that limit  
11 collocation space.

12           29.     In its Proposed Findings, Staff recommended that Qwest be required to remove  
13 regeneration charges, believing that it would give Qwest incentive to design the most efficient  
14 network.

15           30.     Qwest explained that channel regeneration is required when the collocation is greater  
16 than a certain distance from its power source, and that the basic layout of the central office might  
17 preclude collocation sufficiently close to the power source. Qwest stated that in the Wholesale  
18 Pricing Docket, it agreed that it cannot charge for channel regeneration when alternative locations  
19 exist that would not require channel regeneration.

20           31.     In the *Advanced Services Fourth Report and Order*<sup>4</sup>, the FCC stated that "an  
21 incumbent LEC has powerful incentives that, left unchecked, may influence it to allocate space in a  
22 manner inconsistent with this statutory duty." The FCC found that to meet the statutory standard, in  
23 assigning physical collocation space, an ILEC must act as a neutral property owner and manager,  
24 rather than as a direct competitor of the carrier requesting collocation. In the *Advanced Services*  
25 *Fourth Report and Order*, the FCC established several principles in an attempt to ensure an ILEC  
26

27 <sup>3</sup> In the *Matter of Local Exchange Carriers' Rates, Terms and Conditions for Extended Interconnection*, Second Report  
and Order, CC Docket No. 93-162, FCC 97-208 (1997) ("*Second Report and Order*").

28 <sup>4</sup> In the *Matter of the Deployment of Wireline Services Offering Advanced Telecommunications Capability*, CC Docket  
No. 98-147, Fourth Report and Order (Rel. August 8, 2001) ("*Advanced Services Fourth Report and Order*").

1 acts in a nondiscriminatory manner, including requiring an ILEC to allow a requesting carrier to  
2 submit physical collocation space preferences prior to assigning the space. The FCC stated that the  
3 "principles will guide the incumbents' space assignment decisions and provide general parameters for  
4 more detailed physical collocation rules that the state commissions may craft."

5 32. Based on the FCC's guidelines, and to achieve consistency among various dockets,  
6 Staff agreed with Qwest's proposal that regeneration charges should not be allowed where an  
7 alternative location exists where channel regeneration is not required, or where there would be such a  
8 location, had Qwest not reserved space for its future use. Staff recommends that Qwest be required  
9 to authenticate all instances where it claims that there are no locations available that do not require  
10 regeneration, and that Qwest file with the Commission a plan for how it intends to authenticate each  
11 of the instances where it charges for regeneration. The plan should also detail how Qwest intends to  
12 authenticate that it is complying with all of the collocation safeguards laid out in the FCC's *Advanced*  
13 *Services Fourth Report and Order*. Staff believes that the plan should be filed and approved by the  
14 Commission before the Commission endorses Qwest's 271 application with the FCC.

15 33. In its Comments to the Final Report, Qwest argues that having to authenticate all  
16 instances where it imposes regeneration charges is unduly burdensome and unnecessary.

17 34. In its Reply to Qwest's Comments, Staff does not believe the requirement is  
18 burdensome because Qwest would have to perform the analysis of whether regeneration is needed  
19 and appropriate in any case, and Staff is merely recommending that such analysis or investigation be  
20 shared with the CLEC. Staff explains that it recommends Qwest file a plan regarding how it plans to  
21 authenticate its regeneration decisions so that CLECs and Staff will know what to expect.

22 35. We believe that Staff's recommendation resolves AT&T's concerns concerning  
23 potential discrimination in assigning collocation space. The *Advanced Services Fourth Report and*  
24 *Order* establishes that an ILEC may not materially increase a requesting carriers collocation costs; or  
25 assign space that will impair the quality of service or impose other limitations on the service a  
26 requesting carrier wishes to offer; or reduce unreasonably the total space available for physical  
27 collocation. Based on the record in this docket, it appears that in certain circumstances regeneration  
28 may be necessary. Our finding to accept Qwest's proposed SGAT language is not inconsistent with

1 the *Second Report and Order* as Qwest may not charge for regeneration unless it is necessary and no  
 2 alternative exists. The FCC's guiding principles and Staff's recommendation (as clarified in its  
 3 Reply to Qwest's Comments) that Qwest authenticate the need for regeneration will protect CLECs  
 4 from Qwest imposing inappropriate regeneration charges. Based on Staff's clarification of its intent  
 5 regarding authentication, we do not believe the obligation to authenticate the need for regeneration  
 6 charges is burdensome. The Commission will review Qwest's plan that establishes the process for  
 7 complying with the FCC's safeguards and Qwest has agreed that it will not impose a charge for  
 8 regeneration until the Commission has approved its authentication plan. We believe that Qwest's  
 9 commitment will protect CLECs from unnecessary charges. Qwest should revise its SGAT  
 10 accordingly.

11 36. The second impasse issue is whether there should be a distinction between Unbundled  
 12 Dedicated Interoffice Transport ("UDIT") and Extended Unbundled Dedicated Interoffice Transport  
 13 ("EUDIT").

14 37. Qwest SGAT Section 9.6.1.1 currently provides:

15 Unbundled Dedicated Interoffice Transport (UDIT) provides CLEC with a  
 16 network element of a single transmission path between two Qwest Wire  
 17 Centers in the same LATA and state, Extended Unbundled Dedicated  
 18 Interoffice Transport (EUDIT) provides CLEC with a bandwidth specific  
 19 transmission path between the Qwest Serving Wire Center to CLEC's  
 20 Wire Center or an IXC's point of presence located within the same Qwest  
 21 Serving Wire Center area.

22 38. A UDIT is a distance-sensitive, flat-rated rate element, while an EUDIT is non-  
 23 distance sensitive, flat-rated rate element.

24 39. The CLECs argue that there is no basis in fact or law to make a distinction between  
 25 dedicated transport between ILEC wire centers and dedicated transport between an ILEC wire center  
 26 and a CLEC wire center.

27 40. AT&T believes that the entire dedicated transport link from point A to point Z should  
 28 be based on a distance sensitive, flat rate charge which would more accurately reflect the costs of the  
 CLEC. AT&T also argues that the FCC requires dedicated transport to be recovered through a flat  
 rate charge, but Qwest's rate structure for EUDIT does not follow the FCC's guidelines, because the  
 rate for the EUDIT is not distance sensitive but rather is an average rate. AT&T asserts that the

1 EUDIT/UDIT distinction imposes disincentives on the CLEC to build facilities to a meet point  
2 between the CLEC wire center and best service wire center. AT&T also urges the Commission to  
3 require Qwest to provide the electronics on dedicated transport terminating at the CLEC wire center.

4 41. MCIW concurs with AT&T concerns. MCIW states that the distinction between  
5 EUDIT and UDIT raises the costs of doing business for CLECs. MCIW argues that Qwest is  
6 requiring CLECs to build triplicate facilities that are inefficient, costly and a barrier to entry.

7 42. Covad states that Qwest has utilized EUDIT as an anti-competitive device and that  
8 Qwest charges CLECs significantly more for EUDIT than for UDIT. The CLECs also assert that  
9 Qwest's ordering requirements for, and provisioning of, EUDIT (e.g. the submission of two ASRs  
10 and the assignment of two separate circuit identification numbers), imposes unnecessary delay and  
11 administrative complication.

12 43. Qwest argues that its distinction between UDIT and EUDIT, is a rate design issue and  
13 is intended to recognize that dedicated transport between the CLEC central office and the Qwest  
14 serving wire center has historically been recovered as a non-distance sensitive rate element. Qwest  
15 states that all other interoffice transport has typically been cost modeled and rated on a fixed and per  
16 mile basis. Qwest believes that because the distinction is a question of rate design, the cost and rate  
17 structure issues associated with EUDIT should be deferred to the Wholesale Cost Docket.

18 44. Staff concurs with the CLECs that the FCC orders do not distinguish between  
19 dedicated transports between ILEC wire centers and dedicated transport between an ILEC wire center  
20 and a CLEC wire center. Because of the myriad problems documented by the CLECs, Staff  
21 recommends that Qwest be required to modify its SGAT to eliminate the EUDIT distinction. Staff  
22 further recommends that the rates for UDIT and other transport elements be established in the  
23 pending Wholesale Cost Docket. Finally, pursuant to the *UNE Remand Order*, as part of providing  
24 dedicated transport, Staff states that Qwest must provide the electronics that are necessary  
25 components of the functionality of capacity-related services used to originate and terminate  
26 telecommunication services.

27 45. In its Comments to the Final Report, Qwest disagrees with Staff's recommendation to  
28 eliminate EUDIT, and continues to argue that the distinction between UDIT and EUDIT is a rate



1 issue that should be addressed in the Wholesale Cost Docket. Qwest also requests clarification of  
 2 what Staff recommends with respect to its obligation to provide electronics on the CLEC side of the  
 3 dedicated transport.

4 46. In its Reply to Qwest's Comments, Staff argues that the distinction between UDIT and  
 5 EUDIT is not merely a rate design issue. Staff believes the issue regarding the distinction is a  
 6 question of whether Qwest's policy allows for appropriate CLEC access to its network. Staff  
 7 believes the distinction is artificial and discriminates against CLECs. Staff asserts the issue of  
 8 whether there should be a distinction should be made in this docket, while the rates should be set in  
 9 the Wholesale Cost Docket. In addition, regarding the issue of whether Qwest must provide  
 10 electronics, Staff cites the *UNE Remand Order* para. 323:

11  
 12 We reaffirm the definition of dedicated transport set forth in the *Local*  
 13 *Competition First Report and Order* includes all technically feasible  
 14 capacity-related services such as DS-1DS3 and OC3-OC96 dedicated  
 15 transport services. We clarify that this definition includes all technically  
 feasible capacity-related services, including those provided by electronics  
 that are necessary components of the functionality of capacity-related  
 services and are used to originate and terminate telecommunications  
 services [footnote omitted].

16 Thus, Staff agrees with AT&T that under FCC orders, Qwest must provide the electronics at the  
 17 CLEC end of dedicated transport. Staff further notes that para. 94 of the Final Report needs to be  
 18 amended to refer to "electronics" instead of "channel regeneration". Staff amends para. 94 as  
 19 follows:

20 In its Comments to Staff's Proposed Findings of Fact and Conclusions of  
 21 Law, AT&T noted that while it agreed with Staff's conclusion, Staff never  
 22 concluded that Qwest must provide electronics at the CLEC end of  
 23 dedicated transport. Id. At p. 2. AT&T cited the *UNE Remand Order*,  
 24 para. 323, among others. In that paragraph, the FCC clarified that the  
 25 definition of dedicated transport included "all technically feasible  
 26 capacity-related services including those provided by electronics that are  
 27 necessary components of the functionality of capacity-related services and  
 28 are used to originate and terminate telecommunications services." Id. As  
 to the issue of optical terminating equipment or electronics and associated  
 equipment for transport transmission facilities, Staff agrees with AT&T on  
 this point, that according to the *UNE Remand Order* this is included  
 within the definition of dedicated transport. This does not mean, however,  
 that Qwest cannot recover its costs associated with optical terminating  
 equipment or electronics, as part of its UNE rates.

47. Qwest relies totally on historic rate structures to justify its distinction between EUDIT

1 and UDIT. We find no factual or legal basis to adopt Qwest's distinction between UDIT and EUDIT.  
 2 We concur with Staff's recommendations to eliminate the distinction. Qwest should revise its SGAT  
 3 accordingly. We will address the rate issues in the Wholesale Cost Docket. Further, pursuant to the  
 4 *UNE Remand Order*, Qwest shall provide all technically feasible capacity-related services, including  
 5 these provided by electronics that are necessary components of the functionality of capacity-related  
 6 services and are used to originate and terminate telecommunications services. Paragraph 94 of the  
 7 Final Report should be amended as proposed by Staff in its Reply to Qwest's Comments to the Final  
 8 Report.

9 48. The third impasse issue is whether Qwest may impose a local use restriction on  
 10 EUDIT, or in other words, may CLECs use EUDIT as a substitute for special access services.

11 49. Qwest SGAT section 9.6.2.4 provides:

12 CLEC shall not use EUDIT as a substitute for special or Switched Access  
 13 Services, except to the extent CLEC provides such services to its end user  
 14 customers in association with local exchange services. Pending resolution  
 by the FCC, Qwest will not apply the local use restrictions contained in  
 9.23.3.7.2.

15 Section 9.23.3.7.2 provides that for a CLEC to establish that an EEL<sup>5</sup> is carrying a significant amount  
 16 of local exchange traffic, CLEC must certify that: (1) it is the exclusive provider of an end user's  
 17 local exchange service and that the loop transport combination originates at a customer's premises  
 18 and terminates a CLEC's collocation; (2) it provides local exchange and exchange access service to  
 19 the end user premises and handles at least one-third of the end user's local traffic; or (3) at least 50  
 20 percent of the activated channels on a circuit are used to provide originating and terminating local  
 21 dial tone service and at least 50 percent of the traffic on each of these local dial tone channels is local  
 22 voice traffic, etc.

23 50. AT&T and MCIW argue that Section 9.6.2.4 imposes unlawful restrictions on the use  
 24 of unbundled interoffice transport. AT&T asserts that in the *UNE Remand Order*, the FCC made  
 25 clear that requesting carriers can order loop and transport combinations to provide inter-exchange  
 26 service without any requirement to provide a certain amount of local exchange traffic. In the *UNE*

27 \_\_\_\_\_  
 28 <sup>5</sup> Enhanced Extended Link – a combination of unbundled loop, multiplexing/concentrating equipment, and dedicated transport.

1 *Remand Order* the FCC stated that CLECs or IXC's could not convert special access to combinations  
 2 of loop and transport unless it provided a significant amount of local exchange service to a particular  
 3 customer. MCIW argues that section 9.6.2.4 does not address EELs or the combination of an  
 4 unbundled loop, multiplexing/concentrating equipment and dedicated transport but rather addresses  
 5 EUDIT, which the FCC has defined as a network element. MCIW explains that an EEL is not a  
 6 network element, but a combination of network elements.

7 51. Qwest argues that the language in Section 9.6.2.4, that prevents a CLEC from using  
 8 EUDIT as a substitute for special access is consistent with the FCC's *UNE Remand Order*, which  
 9 states that the FCC was going to take additional comments on the issue of whether or how the FCC's  
 10 rules regarding local traffic should apply to dedicated transport links. For that reason, Qwest added  
 11 language to Section 9.6.2.4 that until the FCC resolves the issue, it would not apply the local use  
 12 restrictions.

13 52. AT&T supports adopting proposed Section 9.6.2.4 with Qwest's language deferring  
 14 the resolution of the issue to the FCC. Staff believes that this issue is resolved with Qwest's added  
 15 language that CLECs will not be subject to local use restrictions on dedicated transport until the FCC  
 16 rules definitively on the issue. In conformance with its recommendation to eliminate the  
 17 EUDIT/UDIT distinction, Staff recommends that Qwest revise SGAT Section 9.6.2.4 to eliminate the  
 18 reference to EUDIT.

19 53. We concur with Staff and the parties. Qwest should revise its SGAT accordingly.

20 54. The fourth impasse issue is whether it is appropriate for EUDIT to be used exclusively  
 21 to carry internet traffic and whether the local use restriction applies to EUDIT.

22 55. Covad argues that Qwest's SGAT language improperly prohibits CLECs from using  
 23 EUDIT to transport internet traffic.

24 56. Qwest argues that internet traffic is interstate traffic and the EEL UNE cannot be used  
 25 to carry 100 percent interstate internet traffic. Qwest believes this is not a disputed issue because it  
 26 has agreed not to apply the local use restriction to dedicated transport until the FCC resolves the  
 27 issue.

28 57. Based on Qwest's concession, Staff considers this issue closed. Staff states that the

1 FCC is addressing this issue as it specifically pertains to internet bound traffic.

2 58. We agree this issue is resolved pending FCC action.

3 **CONCLUSIONS OF LAW**

4 1. Qwest is a public service corporation within the meaning of Article XV of the Arizona  
5 Constitution and A.R.S. Sections 40-281 and 40-282 and the Commission has jurisdiction over  
6 Qwest.

7 2. The Commission, having reviewed the Final Report on Qwest's Compliance with  
8 Checklist Item No. 5 dated October 1, 2001, as amended herein, and conditioned upon Qwest's  
9 satisfactory compliance with the recommendations contained in the amended Final Report and  
10 adopted herein, and further subject to Qwest passing relevant performance measurements in the third-  
11 party OSS test, concludes that Qwest has met the requirements of Section 271 pertaining to Checklist  
12 Item No. 5, and the Commission hereby approves and adopts the amended Final Report on Qwest's  
13 compliance with Checklist Item No. 5.

14 **ORDER**

15 IT IS THEREFORE ORDERED that the amended Final Report dated October 1, 2001, on  
16 Qwest's compliance with Checklist Item No. 5 is hereby adopted.

17 IT IS FURTHER ORDERED that Qwest Corporation shall file within seven days of the  
18 effective date of this Order, a revised SGAT incorporating the Findings and Conclusions herein.

19 IT IS FURTHER ORDERED that CLECs and other interested parties shall have ten days  
20 following Qwest Corporation's filing of the revised SGAT to file written comments concerning the  
21 proposed SGAT language.

22 IT IS FURTHER ORDERED that Commission Staff shall file within twenty days of Qwest  
23 Corporation's filing, its recommendation to adopt or reject the proposed SGAT language and a  
24 procedural recommendation for resolving any remaining dispute.

25 ...

26 ...

27 ...

28 ...

1 IT IS FURTHER ORDERED that within 30 days of the effective date of this Order Qwest  
2 Corporation shall file its plan of how it will authenticate the need for regeneration charges. CLECs  
3 and other parties shall have 10 days to file written comments to the plan and Staff shall file its  
4 recommendation to accept or reject the plan and a procedural recommendation 10 days after  
5 comments are due.

6 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

7 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

8  
9     
10 CHAIRMAN COMMISSIONER COMMISSIONER  
11

12 IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive  
13 Secretary of the Arizona Corporation Commission, have  
14 hereunto set my hand and caused the official seal of the  
15 Commission to be affixed at the Capitol, in the City of Phoenix,  
16 this 20<sup>th</sup> day of November, 2001.

17   
BRIAN C. McNEIL  
EXECUTIVE SECRETARY

18 DISSENT \_\_\_\_\_  
19 JR:dap  
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1 SERVICE LIST FOR:

U S WEST COMMUNICATIONS, INC. (SECTION  
271)

2 DOCKET NO.

T-00000A-97-0238

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EXHIBIT A

IN THE MATTER OF QWEST CORPORATION'S  
SECTION 271 APPLICATION

ACC Docket No. T-00000A-97-0238

FINAL REPORT ON QWEST'S COMPLIANCE

With

CHECKLIST ITEM: NO. 5 -      UNBUNDLED LOCAL  
TRANSPORT

OCTOBER 1, 2001

DECISION NO. 64215



## I. FINDINGS OF FACT

### A. PROCEDURAL HISTORY

1. On October 10, 2000, the first Workshop on Checklist Item No. 5 (Unbundled Local Transport) took place at Qwest's offices in Phoenix. Parties appearing at the Workshops included Qwest Corporation<sup>1</sup>, AT&T, MCI WorldCom, Sprint, Electric Lightwave, Inc., e.spire, Eschelon Telecom, Inc. and Allegiance Telecom. Qwest relied upon its supplemental testimony submitted in July, 2000 and its second supplemental affidavit filed on September 21, 2000. Additional Comments were filed on September 21, 2000 by AT&T, WorldCom, e-spire, Eschelon and Z-Tel. ELI filed comments on September 22, 2000. Qwest filed Rebuttal Comments on September 29, 2000 and a supplemental rebuttal affidavit on October 31, 2000.

2. On April 9, 2001, an additional Workshop was conducted on Checklist Item 5.

3. The Parties resolved many issues at the two Workshops held on October 10, 2000 and April 9, 2001. Outstanding issues from the October 10, 2000 Workshop included a commitments by the parties to address take back issues for resolution at the follow-up workshop held on April 9, 2001. At the conclusion of the April 9, 2001 workshop, a number of impasse issues remained to be resolved. Staff filed its Proposed Findings of Fact and Conclusions of Law for Checklist Item 5, Unbundled Local Transport on August 14, 2001. Comments were filed in response to the Staff's Proposed Report by AT&T, WorldCom and Qwest on August 27, 2001. Following is Staff's final Report on Qwest's compliance with Checklist Item No. 5.

### B. DISCUSSION

#### 1. Checklist Item No. 5

##### a. FCC Requirements

4. Section 271(c)(2)(B)(v) of the Telecommunications Act of 1996 requires a section 271 applicant to provide or offer to provide "[l]ocal transport from the trunk side of a wireline local exchange carrier switch unbundled from switching or other services."

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<sup>1</sup> As of the date of this Report, U S WEST Communications, Inc. has merged with Qwest Corporation, which merger was approved by the Arizona Commission on June 30, 2000. Therefore, all references in this Report to U S WES T have been changed to Qwest.

5. Section 271(c)(2)(B)(ii) requires a section 271 applicant to provide "[n]ondiscriminatory access to network elements in accordance with the requirements of sections 251(c)(3) and 252(d)(1)."

6. Section 251(c)(3) establishes an incumbent LECs "duty to provide, to any requesting telecommunications carrier for the provision of a telecommunications service, nondiscriminatory access to network elements on an unbundled basis at any technically feasible point on rates, terms, and conditions that are just, reasonable, and nondiscriminatory in accordance with the terms and conditions of the agreement and the requirements of [section 251] . . . and section 252."

### b. Background

7. The FCC has required that BOCs provide both dedicated and shared transport to requesting carriers. *Bell Atlantic New York Order* at para. 337.<sup>2</sup>

8. Dedicated transport consists of BOC transmission facilities dedicated to a particular customer or carrier that provide telecommunications between wire centers owned by BOCs or requesting telecommunications carriers, or between switches owned by BOCs or requesting telecommunications carriers.

9. Shared transport consists of transmission facilities shared by more than one carrier, including the BOC, between end office switches, between end office switches and tandem switches, and between tandem switches, in the BOC's network.

10. Qwest currently tracks 10 different performance measures for dedicated unbundled transport. 5-Qwest-2 at p. 74. These measurements concern either the installation/provisioning of DS1 and above, DS1 UDITs and the repair/maintenance of these facilities. Id. The ten measures are listed below.

OP-3	Installation Commitments Met
OP-4	Installation Interval
OP-5	New Service Installation Without Trouble Reports for 30 Days After Installation
OP-6	Delayed Days
MR-5	Out Of Service Cleared Within 4 Hours (designed repair process)
MR-6	Mean Time to Restore
MR-7	Repair Repeat Report Rate
MR-8	Trouble Rate

<sup>2</sup> *In the Matter of the Application by Bell Atlantic New York for Authorization Under Section 271 of the Communications Act to Provide In-Region, InterLATA Service in the State of New York*, Memorandum Opinion and Order, CC Docket No. 99-295 (Rel. December 22, 1999).

c. Position of Qwest

11. On July 21, 2000, Qwest witness Karen A. Stewart provided testimony indicating that Qwest is currently providing unbundled transport to CLECs in Arizona in a timely, nondiscriminatory manner. 5-Qwest-2 at p. 65. Qwest is currently providing UDITs to six CLECs in Arizona. 5-Qwest-2 at p. 66. Specifications, interfaces and parameters are described in Technical Publication 77389.5. Id. The Interconnect & Resale Resource Guide (IRRG) also provides CLECs with product information, rates and availability. Id.

12. Qwest, in its SGAT at Sections 9.6.1.1 and 9.8.1.1, offers both dedicated and shared transport:

9.6.1.1 Unbundled Dedicated Interoffice Transport (UDIT) provides CLEC with a network element of a single transmission path between two Qwest Wire Centers in the same LATA and state. Extended Unbundled Dedicated Interoffice Transport (EUDIT) provides CLEC with a bandwidth specific transmission path between the Qwest Serving Wire Center to CLEC's Wire Center or an IXC's point of presence located within the same Qwest Serving Wire Center area.

9.8.1.1 Shared Transport is defined as interoffice transmission facilities shared by more than one carrier, including Qwest, between end office switches, between end office switches and tandem switches, and between tandem switches.

5-Qwest-2 at p. 66.

13. UDIT is a distance-sensitive, flat-rated bandwidth-specific interoffice transmission path designed to a DSX in each Qwest Wire Center. 5-Qwest-2 at p. 68. EUDIT is a flat-rated, bandwidth-specific interoffice transmission path. Id.

14. Shared Transport allows CLECs to share the exact interoffice transmission facilities that Qwest utilizes for itself. 5-Qwest-2 at p. 69. The shared transport facilities connect Qwest end office switches with other Qwest end office switches and/or with Qwest tandem switches for the delivery of traffic within the local calling area. Id. Shared transport is a product available only in conjunction with unbundled switching. 5-Qwest-2 at p. 69. Shared transport is billed on a minute-of-use basis in accordance with section 252(d)(1). 5-Qwest-2 at p. 72.

15. Qwest provides unbundled access to dedicated transmission facilities between Qwest end offices or between Qwest end offices and CLEC end offices. 5-Qwest-2 at p. 68. Qwest provides interoffice facilities between its end offices and serving wire centers ("SWC"), its SWCs and IXC POPs, its tandem switches and SWCs,

and between its end offices or tandems and the wire centers of Qwest and requesting carriers. Id.

16. Qwest's SGAT offers unbundled dedicated interoffice transport between Qwest wire center in the same LATA and the state. 5-Qwest-2 at p. 68. EUDITs and UDITs are available in DS1, DS3, OC-3 and OC-12 bandwidths and such higher capacities as evolve over time where facilities are available. Id. UDIT is also available in DS0 bandwidth. Id.

17. Shared transport provides CLECs who serve their customers via unbundled switching, a means of transporting traffic from their customers to distant end offices or interexchange carriers. 5-Qwest-2 at p. 70. When a CLEC's customer served by unbundled switching and shared transport originates a call, the Qwest switch uses the same routing table to determine the availability of an outgoing trunk port for the CLEC's call that would be used by a Qwest call. Id. The CLEC has access to the same routing table capabilities, the same trunk ports, and the same mix of direct and tandem-routed interoffice facilities available to Qwest end users. Id.

18. CLECs can also use custom routing to direct their end user's operator service and/or directory assistance (DA) calls in a different manner than Qwest routes its own operator services and directory assistance calls. 5-Qwest-2 at p. 70. Qwest's SGAT provides for customized routing that enables CLECs to self provide, or select among other providers, operator and /or DA services. 5-Qwest-2 at p. 71. Customized routing is a software function of the switch that may be ordered with unbundled switching or resale applications. Id.

19. Qwest will provision unbundled dedicated transport in Arizona utilizing a defined order and provisioning flow. 5-Qwest-2 at p. 72. The same process and provisioning flows can be used for unbundled switching, in combination with shared transport, since shared transport is automatically provisioned with unbundled switching unless the CLEC specifically selects otherwise. Id. When the CLEC purchases unbundled switching and shared transport, the CLEC calls follow the same transmission path as Qwest's traffic. 5-Qwest-2 at p. 72.

20. Qwest maintains unbundled transport in Arizona utilizing defined maintenance flows. 5-Qwest-2 at p. 73. Maintenance and repair of dedicated and shared transport facilities are the sole responsibility of Qwest. Id.

21. As of July 1, 2000, Qwest has processed 35 DS1 UDIT orders and 41 orders for DS3 UDITs in Arizona. 5-Qwest-2 at p. 74.

#### **d. Competitors' Position**

22. In their July 22, 1999, preliminary Statements of Position on Qwest's compliance with all Checklist Items, AT&T stated that Qwest has failed to comply with the requirements that it offer nondiscriminatory access to local transport. AT&T Ex. 1 at

p. 9. Qwest continues to refuse to offer shared transport as a network element, instead defining it as an "Ancillary Service" in its SGAT. *Id.* As a result, Qwest refuses to offer cost-based pricing for shared transport, instead charging approximately twenty times more than the cost for this element. *Id.* In addition, Qwest's dedicated transport offering does not comply with the requirements of the Act. AT&T Ex. 1 at p. 9. Qwest has limited the facilities to which a new entrant may connect dedicated transport to transmission paths between Qwest's wire centers, not to other facilities, such as end offices and tandem switches. *Id.* Finally, AT&T states that Qwest has failed to put forth any credible testing evidence of its ability to provide, maintain and repair unbundled transport for CLECs. AT&T Ex. 1 at p. 10.

23. MCIW stated that Qwest has failed to comply with Checklist Item 5. MCIW states that since local transport is a network element, there is very little data that allows MCIW to determine if it is receiving local transport in a manner that is at a level of quality at least equal to the level that Qwest provides to itself. MCIW also stated that the monthly service reports it receives by Qwest are inadequate.

24. NEXTLINK stated that Qwest's dedicated transport offering does not comply with the requirements of the Act. Qwest has refused NEXTLINK's requests for dedicated transport to a customer premise and to connect DS-1s to DS-3s at offices where NEXTLINK is not collocated. Qwest has also failed to offer any credible testing evidence of its ability to provide, maintain and repair unbundled transport for CLECs.

25. Sprint stated that it is not clear that Qwest offers shared transport as required under the Act. Sprint had been engaged in extensive interconnection contract negotiations with Qwest and believes that Qwest's claim that it offers shared transport is not what it appears. Sprint claims that Qwest seems to be playing word-games with the term "shared transport", offering a product quite different than that which the Act and the FCC intend.

26. Other CLECs filing comments on July 22, 1999, included Cox, ELI, e-spire and Rhythms. ELI stated it joined in the position statements filed by the other CLECs. Cox and e-spire stated that it had inadequate information to determine whether Qwest is in compliance with Checklist Item 5. Rhythms joined in AT&T's comments.

27. AT&T and MCIW filed additional comments on Checklist 5 on September 21, 2000.

28. AT&T had numerous concerns relating to language contained in Qwest's SGAT. AT&T states that the definition of dedicated transport contained in Section 9.6.1 of the SGAT fails to track the requirements outlined by the FCC. AT&T 4-1 at p. 26. Specifically, the definition fails to identify all of the permissible routes (e.g. between central offices, tandems of the BOC) and fails to provide for all feasible transmission capabilities (e.g. OC48 and OC192) which creates discriminatory and unreasonable burdens on the CLECs. *Id.*

29. Section 9.6.1.1 does not provide for dedicated transport between the full panoply of facilities required by the FCC, such as between CLEC wire centers or switches. AT&T 4-1 at p. 26. This section also creates an unwarranted and artificial distinction between dedicated transport provided between two Qwest wire centers ("UDIT") and dedicated transport provided between a Qwest wire center and a CLEC wire center or IXC POP. Id. The FCC makes no such distinction and there is no legal authority permitting Qwest to make such a distinction. Id. AT&T states that Qwest must modify Section 9.6.1.1 to closely track the requirements of law and eliminate the unreasonable and discriminatory bifurcation of dedicated transport facilities. AT&T 4-1 at p. 27.

30. Section 9.6.1.2 describes an "Unbundled Multiplexer" that is "offered as a stand-alone element associated with a UDIT." AT&T 4-1 at p. 27. The SGAT is unclear whether this multiplexer is required as a part of a CLEC's access to dedicated transport as a UNE. Id. Qwest should clarify the language of section 9.6.1.2. to indicate whether it is being offered as a UNE under the SGAT or if it is not being offered as a UNE. Id. Multiplexing in this context should be offered as an option available to the CLEC and as an option, Qwest should add SONET add/drop multiplexing to Section 9.6.1.2 since the CLEC needs to have the option to order this type of multiplexing. AT&T 4-1 at p. 27.

31. AT&T also requested amendment of SGAT Sections 9.6.2.1 and 9.6.2.2. AT&T 4-1 at p. 28. These two sections require the CLEC to provide for its own regeneration for transmission facilities. AT&T 4-1 at p. 27. Qwest should deliver dedicated transport to the CLEC with the appropriate template signal, whether it be DS0, DS1, DS3 or OCN. Id. These sections must be amended to eliminate the requirement that a CLEC order or provide regeneration and add an affirmative statement to the SGAT that requires Qwest to deliver transport with the proper template signal. AT&T 4-1 at p. 28.

32. Section 9.6.2.1 also states that the CLEC is responsible for cross connections between UDIT and EUDIT. AT&T 4-1 at p. 28. The effect of this provision is to require the CLEC to pay for cross connection between these two fictitious elements, or worse, to have collocation in the Qwest office where UDIT becomes EUDIT. Id. AT&T does not agree that there is a distinction between UDIT and EUDIT and that cross connection cannot be a requirement between the two. Id.

33. AT&T further requested that Qwest delete Section 9.6.2.3 of the SGAT that requires the CLEC to have collocation at both ends of UDIT, except for pre-existing combinations provided as combinations. AT&T 4-1 at p. 28. AT&T states that this requirement is unreasonable and discriminatory. Id. CLECs must be allowed to order combinations that include UDIT, whether or not the combination is preexisting. Id.

34. AT&T also expressed concern over SGAT Section 9.6.2.5 regarding dedicated transport at rates above DS1 that will be provided via an optical interface at the location requested by the CLEC. AT&T 4-1 at p. 29. As Qwest has written it, AT&T assumes this section means that an optical interface will be provided at the CLEC wire

center or LXC POP side of the dedicated transport, not at the Qwest wire center side. Id. AT&T states that this is not appropriate if a CLEC orders DS3 dedicated transport, Qwest should provide a DS3 templated signal at both ends and that anything else is an incomplete UNE. Id. AT&T recommends that Section 9.6.2.5 be deleted. Id.

35. AT&T commented that Section 9.6.2.9 requires the CLEC to provide space for Qwest equipment in the CLEC wire center for the terminating end of the dedicated transport. AT&T 4-1 at p. 29. Qwest's use of space in a CLEC wire center is collocation of Qwest equipment. Id. Qwest does not offer in this section, nor in the interconnection section, to compensate the CLEC for collocation of Qwest's equipment. Id.

36. AT&T stated that in Section 9.6.3, Qwest lists the rate elements for dedicated transport. AT&T 4-1 at p. 29. AT&T stated that the Wholesale Pricing Docket should address not only the prices for the elements but also the appropriateness and application of each element in various configurations. Id.

37. AT&T states that SGAT section 9.8 (Shared Transport) should be revised to more closely track the requirements of the FCC. AT&T 4-1 at p. 30. Section 9.8 should include an affirmation of the requirement that CLEC traffic shall use the same routing table resident in Qwest's switch and that this element may carry originating and terminating access traffic from, and to customers to whom the requesting carrier is also providing local exchange service. Id.

38. MCIW had a number of concerns with the proposed SGAT language regarding Checklist Item 5. MCIW stated that Qwest should be required to revise its definition of unbundled dedicated transport to meet the definition established by the FCC. MCIW 4-1 at p. 15. Qwest proposes two definitions of unbundled dedicated transport: one for UDIT and one for EUDIT. MCIW 4-1 at p. 15. Qwest's definition is too limited since it does not include a transmission path between wire centers or switches of requesting CLECs. Id. SGAT section 9.6.1.1 should be revised to comport with the FCC's definition. Id. Additionally, section 9.6.1 should be revised to be consistent with the FCC's *UNE Remand Order* which specifies at what transmission speeds ILECs must make unbundled dedicated transport available to CLECs. MCIW 4-1 at p. 16. Qwest's proposed language limits the higher capacity to OC-12 rather than OC-192. Id. Section 9.6.1 also states that the specifications, interfaces and parameters are described in Qwest's Technical Publication 77389. MCIW 4-1 at p. 16. Qwest's technical publications must be consistent with, or must incorporate, recognized industry standards. Id.

39. MCIW also had concerns over the use of the term "finished services" used in SGAT section 9.6.2.1. MCIW 4-1 at p. 16. Qwest has not properly defined the term "finished service" and by not doing so, it would potentially free Qwest to refuse connections based on ambiguous language. Id. This is particularly harmful to carriers such as MCIW who is both an IXC and a CLEC should Qwest define "finished service" to include access services. Id.

40. MCIW had concerns with the language of SGAT section 9.6.2.3 which states that CLECs must be collocated at both ends of the UDIT, except for pre-existing combinations. MCIW 4-1 at p. 17. This language is in direct conflict with the FCC's *UNE Remand Order*. Id. Also, MCIW claims that this Commission has rejected Qwest's argument that the phrase "currently combined" describes pre-existing combined unbundled network elements and that any and all references to the term "pre-existing" in the context of combinations should be removed. MCIW 4-1 at p. 17-18.

41. MCIW also expressed concern that rate elements and corresponding rates in the SGAT should be Commission approved. MCIW 4-1 at p. 18. Since Qwest has defined unbundled transport into UDIT and EUDIT, Qwest has effectively created a new service category service (EUDIT) with corresponding new rate elements, which are reflected in section 9.7.8 of Appendix A to the SGAT. Id. Qwest has provided no rational or legal basis for distinguishing between UDIT and EUDIT. Id. Additionally, the proposed rates for EUDIT have not been addressed in the Arizona Cost Docket, nor has the non-recurring rates for UDIT and the rates for OC-3 and OC-12 UDIT not been addressed by the Commission. Id. Therefore, MCIW states that these rates should be subject to true up upon Commission approval in a new Cost Docket. Id. Qwest should also be required to propose rates for unbundled dedicated transport at OC-48, OC-96 and OC-192 to be consistent with the *UNE Remand Order*. Id.

42. Finally, MCIW stated that language should be added to the SGAT that once performance measurements from the Commission's separate proceeding have been established, Qwest will revise its proposed SGAT to include such measurements and any appropriate remedy plans. MCIW 4-1 at p. 19.

#### e. Qwest Response

43. In its September 29, 2000 written response, Qwest addressed several of AT&T and MCIW's concerns.

44. With respect to Section 9.6.1 and MCIW's concern regarding Qwest's Technical Publications, Qwest stated that it is committed to being consistent with mandatory industry standards. Qwest 4-1 at p. 20.

45. As to AT&T and MCIW's concern over Qwest's definition in section 9.6.1.1 failing to provide for all feasible transmission capabilities, Qwest stated that EUDIT and UDIT are available in all technically feasible bandwidths where facilities exist and include all OCN level services existing in the Qwest network at the time of the CLEC's request for UDIT and EUDIT. Qwest 4-1 at p. 20. However, given the extremely limited demand and spare capacity availability of the OCN level services, Qwest recommends that OCN level requests be handled on an individual case basis (ICB). Id. Qwest will amend its SGAT language to reflect the FCC requirement. Qwest 4-1 at p. 21.



46. With respect to AT&T's concern regarding the distinction between dedicated transport provided between two Qwest wire centers ("UDIT") and dedicated transport provided between a Qwest wire center and a CLEC wire center or IXC POP, Qwest agrees to provide existing unbundled dedicated transport between all locations identified in the FCC rules and related orders. Qwest 4-1 at p. 21. By delineating the unbundled dedicated transport between the Qwest serving wire center and the CLEC central office as "EUDIT", Qwest's intent was to clearly identify that this segment of dedicated transport has historically been recovered in cost models and resultant rate schedules as a non-distance sensitive rate element. Id. All other "interoffice" transport has typically been "cost modeled" and rate on a fixed and per mile basis. Id. The practice used by Qwest on how to rate dedicated transport is not an inappropriate rate structure but a standard industry practice. Qwest 4-1 at p. 21. Qwest recommends that the cost and rate structure issues associated with the EUDIT portion of unbundled transport be deferred to the Cost Docket. Id.

47. Regarding AT&T's concern over whether "Unbundled Multiplexer" is required as a part of a CLEC's access to dedicated transport as a UNE, Qwest confirms that multiplexing is an option in the SGAT available to the CLEC. Qwest 4-1 at p. 22. Multiplexing is not a UNE because it is not identified in the FCC unbundling rules as a separate UNE. Id. Multiplexing is a feature: functionality of transport that Qwest is offering as part of the UDIT UNE. Id. In addition, AT&T requested that Qwest add SONET add/drop multiplexing to Section 9.6.1.2. Qwest 4-1 at p. 22. The FCC in the UNE Remand Order specifically noted that incumbent LECs have limited requirements as it relates to SONET rings. Id. Therefore, Qwest does not agree to accept AT&T's request. Id. Qwest believes that requests to access SONET add/drop multiplexers are so situation specific that it is a classic ICB situation. Id.

48. To address MCIW's concern over the definition of the term "finished service" in section 9.6.2, in the context of the SGAT a "finished service" is a complete end to end service that is provided to a wholesale or retail customer. Qwest 4-1 at p. 23. This would generally include everything other than UNEs or UNE combinations. Id.

49. Regarding AT&T's question if a cross connection is required between EUDIT and UDIT, if a CLEC must make the necessary cross connection, Qwest did not agree to modify this section to make Qwest responsible for all requested cross connections. Qwest 4-1 at p. 23. Qwest stated that it is only required to "cross connect", that is to combine, unbundled elements. Id. Qwest does not agree that in Arizona it would be required, upon request of the CLEC, to make any necessary cross connections between unbundled network elements including EUDIT and UDIT when ordered as a combination. Qwest 4-1 at p. 24. Qwest recommends that AT&T's position on cross connection be referred to the Cost Docket for consideration with other EUDIT cost and pricing issues. Id.

50. With regard to AT&T's position that Qwest should deliver dedicated transport to the CLEC with the appropriate template signal, Qwest did agree that it will provision the appropriate template signal, whether it is DS0, DS1, DS3 or OCN level

UDIT. Qwest 4-1 at p. 25. However, regarding AT&T's request to amend language to eliminate the requirement that a CLEC order or provider regeneration, Qwest does not agree. Qwest 4-1 at p. 25.

51. Qwest agreed to remove reference to the term "pre-existing" with regard to currently combined network elements at MCIW's request. Qwest 4-1 at p. 26. MCIW's other concern was that Qwest's collocation requirement for UDIT should be rejected since the FCC has ruled that collocation is not a requirement for CLECs to gain access to incumbent's interoffice transport network. Qwest 4-1 at p. 26. Qwest will provide a CLEC access to UNEs at any demarcation point mutually agreed to by the parties. Id.

52. As to AT&T's concern over SGAT section 9.6.2.6 that Qwest does not offer to compensate the CLEC for collocation of Qwest's equipment, Qwest recommends the review of this issue be completed in the Collocation workshop. Qwest 4-1 at p. 27.

53. AT&T and MCIW both raised concerns over rate elements discussed in Section 9.6.3. Both CLECs indicated that many rate elements for dedicated transport should be addressed in the Cost Docket and approved by the Commission. Qwest 4-1 at p. 27. Qwest agrees that rate elements and rates for UDIT and EUDIT should be reviewed in the Cost Docket. Qwest 4-1 at p. 28.

54. Addressing MCIW's proposal that Qwest revise its proposed SGAT to include intervals, service quality measurements, and any appropriate remedy plans, Qwest added UDIT standard installation intervals 07/21/2000 Exhibit C to its SGAT. Qwest 4-1 at p. 29. Once the Arizona Corporation Commission adopts a Post-271 Performance Assurance Plan, the Plan will become an Exhibit of the SGAT. Id.

55. With regard to MCIW's position that SGAT Section 9.8.3.1 be revised to reflect all rates in the SGAT, Qwest proposes to delete the last sentence in section 9.8.3.1 and to charge UNE rates in density Zone 1 MSAs for shared transport. Qwest 4-1 at p. 30.

56. Finally, Qwest agreed to modify its SGAT language to incorporate a new Section 9.8.2.3 to address AT&T's recommendation that Section 9.8 be revised to more closely track the requirements of the FCC. Qwest 4-1 at p. 29. Specifically, AT&T stated that section 9.8 should include an affirmation of the requirement that CLEC traffic shall use the same routing table resident in Qwest's switch and that this element may carry originating and terminating access traffic from, and to customers to whom the requesting carrier is also providing local exchange service. Id.

#### **f. Workshops**

57. On October 31, 2000, Qwest witness Karen Stewart filed a supplemental rebuttal affidavit to address a number of issues from the October 11-13 workshops.

58. To address CLECs concern over the definition of UDIT, Qwest agreed to revise the first sentence of Section 9.6.1 as follows:

Unbundled Dedicated Interoffice Transport (UDIT) provides CLEC with a network element of a single transmission path between Qwest end offices, Serving Wire Centers or tandem switches in the same LATA and state.

Qwest 4-6 at p. 7.

59. AT&T and WCOM both objected that the definition of UDIT failed to provide for all feasible transmission capabilities (e.g. OC48 and OC192). Qwest 4-6 at p. 7. Qwest agreed that EUDIT and UDIT are available in all technically feasible bandwidths where facilities exist, to include all OCN level services existing in the Qwest network at the time of the CLEC's request for UDIT or EUDIT. Id. Qwest has amended the language of Section 9.6.1 to indicate that "EUDITs and UDITs are available in DS1 through OC192 bandwidths where facilities are available." Id. However, given the extremely limited demand and spare capacity availability of OCN level services, OCN level requests will be handled on an individual case basis. Id.

60. Qwest has not agreed to eliminate the distinction between EUDIT and UDIT as the CLECs have requested. Qwest 4-6 at p. 8. Qwest believes that this is a pricing issue. Id. By delineating the unbundled dedicated transport between the Qwest serving wire center and the CLEC central office as "EUDIT", Qwest's intent was to clearly identify that this specific segment of dedicated transport has historically been recovered in cost models and resultant rate schedules as a non-distance sensitive rate element. Id. All other "interoffice" transport has typically been "cost modeled" and rated on a fixed and per mile basis. Id. Therefore, Qwest will not make this change.

61. With regard to AT&T's concerns that CLECs must order each UDIT and EUDIT element separately, even though they may be for transport of the same traffic and that CLECs may be required to perform connections between UDIT and EUDIT if they are ordered in combination, Qwest has added the following language to Section 9.6.2.1:

To the extent that CLEC is ordering access to a UNE Combination, Qwest will perform requested and necessary cross-connections between UNEs.

Qwest 4-6 at p. 8.

62. To address AT&T's concern that the SGAT is unclear whether multiplexing is required as a UNE as a part of a CLEC's access to dedicated transport, Qwest has modified Sections 9.6.1.2 and 9.6.2.2 to clarify that multiplexing is optional. Qwest 4-6 at p. 8. Multiplexing is not a UNE but a feature, functionality of transport that Qwest is offering as part of the UDIT UNE. Id.

63. Qwest has agreed to MCIW's request to define the term "finished service" by adding to the definitions section of the SGAT: 'Finished Service' means a complete end-to-end service that is provided to a wholesale or retail customer." Qwest 4-6 at p. 9.

64. Qwest has agreed to AT&T's request to deliver dedicated transport to the CLEC with the appropriate template signal, whether it is DS0, DS1, DS3 or OCN level UDIT. Qwest 4-6 at p. 9.

65. To address MCIW's objection to the requirement in Section 9.6.2.3 that CLECs have collocation at both ends of the UDIT, Qwest will revise Section 9.6.2.3 to allow CLECs to use any form of collocation. Qwest 4-6 at p. 9.

66. Qwest has agreed to MCIW's proposal to revise its SGAT to include intervals, service quality measurements, and any appropriate remedy plans. Qwest 4-6 at p. 10. Once the Arizona Commission adopts a Post-271 Performance Assurance Plan, the Plan will become an exhibit to the SGAT, as will the PID from the 271 Workshop process. Id.

67. Finally, AT&T recommended that Section 9.8.2 be revised to more closely track the requirements of the FCC as identified in the Texas 271 order. Qwest 4-6 at p. 10. Specifically, AT&T suggested that Section 9.8 should include an affirmation of the requirement that CLEC traffic shall use the same routing table resident in Qwest's switch and that this element may carry originating and terminating access traffic from and to customers to whom the requesting carrier is also providing local exchange service. Id. Qwest does not agree that the language was not sufficient, but nevertheless has added language in a new section 9.8.2.3. to address AT&T's concern.

### **g. Disputed Issues**

68. At the conclusion of the October 9, 2000 and April 10, 2001 workshops, the parties were unable to agree on a number of issues that went to impasse involving unbundled local transport. Statements of Positions on the impasse issues were filed by AT&T, MCIW, Covad and Qwest on May 18, 2001.

#### **DISPUTED ISSUE NO. 1: Whether the CLEC should be required to pay a separate regeneration charge to receive dedicated transport at its collocation? (TR-5 and CL2-10)**

##### **a. Summary of Qwest and CLEC Positions**

69. AT&T argues that CLECs should not pay for regeneration from the interoffice frame to the CLECs' collocation since Qwest has control over the location of the CLECs' collocation arrangements. AT&T May 18, 2001 Brief at p. 35. As long as Qwest has the sole ability to determine the location of the CLECs' collocation arrangements, the CLECs should not have to pay for regeneration charges. Id. at p. 35-36.

70. Covad argues that the Qwest SGAT directly and indirectly charges CLECs for channel regeneration in two different circumstances. Covad May 18, 2001 Brief at p. 3. First, as stated in SGAT Section 9.1.10, a CLEC must pay a regeneration charge where "the distance from the Qwest network to the leased physical space . . . is of sufficient length to require regeneration." Id. Second, as stated in SGAT Sections 9.6.2.1 and 9.6.2.2, CLECs must supply their own channel regeneration and associated equipment for transport transmission facilities. Id. This results in an "additional cost" and is prohibited under controlling law. Id. at p. 4. Qwest seeks to disregard the clear import of the *Second Report and Order*, arguing that regeneration is "necessary," as contemplated by the United States Court of Appeals for the District of Columbia in *GTE Serv. Corp. v. FCC*, 205 F.3d 416, 423, 424 (D.C. Cir. 2000). Id. Qwest's argument is fundamentally flawed because channel regeneration may never be deemed "necessary", as a matter of law, since regeneration should never be required in the first place. Id. at p. 4-5. Therefore, Covad recommends that the Commission order Qwest to modify its SGAT to include the requirement that all transport delivered by Qwest to CLECs be accompanied by a sufficient and proper template signal. Id.

71. Qwest stated that it believes that AT&T and Covad are simply trying to avoid paying for the costs they cause Qwest to incur. Qwest May, 18, 2001 Brief at p. 8. Qwest states that costs can be recovered in one of two ways, both of which are acceptable to Qwest- averaged across UDITs, or the cost of regeneration can be applied in a situation-specific fashion. Id. When Qwest first developed its Expanded Interconnection Channel Terminations ("EICT") functionally to provide a CLEC access to a UNE in its collocation space, it included the "jumper" functionality and regeneration as required. Id. During arbitration proceedings, Qwest was required to remove the charges for regeneration, and to charge regeneration only when required and as requested by the CLEC. Id. By taking the contrary position now, AT&T is attempting to force Qwest into a position where it is not able to recover its costs. Id.

72. Further, with regard to AT&T's claims that Qwest has control over where a CLEC is collocated, AT&T's premise is neither factually nor legally correct. Id. at p. 8. The selection of collocation space is not without practical limits, especially in those wire centers with high demand for collocation and limited additional space options. Id. Where regeneration is unavoidable, CLECs should incur the cost of this service as part of the cost of accessing UNEs. Id. at p. 9. Neither the law nor the constitution requires Qwest to provide services to CLECs at no cost and therefore, Qwest is entitled to recover its costs associated with providing access to UNEs. Id.

**b. Discussion and Staff Recommendation**

73. In its Proposed Findings of Fact and Conclusions of Law, Staff recommended that the SGAT be modified to remove charges associated with regeneration.

74. Staff believes that this will provide Qwest an incentive to design the most efficient network. As AT&T stated, Qwest, for all practical purposes, has the sole ability to determine the location of the CLEC's collocation arrangements, which could lead to regeneration, over which the CLEC would have no control. This result could lead to unequal treatment of all carriers since some may be required to pay regeneration charges while others do not, thus allowing Qwest to discriminate in its provisions of service as and between CLECs and itself.

75. Further, Staff believes that Qwest's position in this Docket is inconsistent with its position recently taken in the Wholesale Pricing Docket. Staff believes that in the Wholesale Pricing Docket, Qwest recently agreed not to assess CLECs regeneration charges.

76. In its Comments in response to Staff's Proposed Findings of Fact and Conclusions of Law, Qwest stated that channel regeneration is required when the collocation is greater than a certain distance from its power source. Qwest Comments at p. 1. Qwest stated that contrary to what was stated in the Report, Qwest does not have the sole ability to determine the location of the CLEC's collocation arrangements. Qwest Comments at p. 2. The basic layout of the central office itself might preclude collocation sufficiently close to the power source. *Id.* Qwest also stated that Staff's resolution of the issue in the Collocation Report was consistent with Qwest's position in the Cost Docket, and that the Checklist 5 Report should be modified to reflect this outcome. In the Wholesale Pricing Docket, Qwest conceded that it cannot recover for channel regeneration when alternative locations exist that would not require channel regeneration. *Id.*

77. AT&T cited the FCC's recent Fourth Report and Order in CC Docket No. 98-147<sup>3</sup>. AT&T Comments at p. 2. AT&T stated that in that Order, the FCC found that an ILEC "must not assign physical collocation space that will impair the quality of service or impose other limitations on the service a requesting carrier wishes to offer." (Citing FCC Order at paras. 89-91). AT&T Comments at p. 2.

78. In the recent FCC Order cited by AT&T, the FCC stated that "an incumbent LEC has powerful incentives that, left unchecked, may influence it to allocate space in a manner inconsistent with this statutory duty. *Advanced Services Fourth Report and Order* at para. 92. However, the FCC went on to impose several additional safeguards in its Order. The FCC concluded that in order to meet the statutory standard, an incumbent LEC must act as a neutral property owner and manager, rather than as a direct competitor of the carrier requesting collocation, in assigning physical collocation space. *Id.* The FCC took several additional measures in the *Fourth Advanced Services Order* to ensure that CLECs would be treated in a nondiscriminatory manner including

<sup>3</sup> In the Matter of the Deployment of Wireline Services Offering Advanced Telecommunications Capability, CC Docket No. 98-147, Fourth Report and Order (Rel. August 8, 2001) ("Advanced Services Fourth Report and Order").

requiring an incumbent LEC to allow a requesting carrier to submit physical collocation space preferences prior to assigning that carrier space. *Id.* at para. 96.

79. With the additional safeguards put in place by the FCC, and to achieve consistency with other decisions and dockets, Staff agrees with the qualification requested by Qwest. Thus, Staff recommends that Qwest be required to modify its SGAT to remove the regeneration charge where there exists alternative locations that would not require channel regeneration, or where there would be such a location, had Qwest not reserved space for its future use in the affected premises. Collocation Report at para. 417. Staff further recommends that Qwest be required to authenticate all instances where it claims that there are no locations available that do not require regeneration. Thus, Staff recommends that Qwest be required to file with the Commission a plan for how it intends to authenticate each of the instances where it must charge for regeneration. The plan should also detail how Qwest intends to authenticate that it is complying with all of the collocation safeguards laid out in the FCC's *Advanced Services Fourth Report and Order*. Staff believes that this plan should be filed by Qwest and approved by the Commission before the Commission endorses Qwest's 271 application with the FCC.

**DISPUTED ISSUE NO. 2: Whether there should be a distinction between UDIT and EUDIT? (TR-12)**

**a. Summary of Qwest and CLEC Positions**

80. AT&T argued that there is no legal basis to make the distinction as Qwest has done to divide dedicated transport into two elements - Unbundled Dedicated Interoffice Transport (UDIT) and Extended Unbundled Dedicated Interoffice Transport (EUDIT). AT&T May 18, 2001 Brief at p. 31. Such distinction creates unintended consequences, to the CLEC's detriment, and perpetuates an outdated rate structure that is inapplicable to carrier-to-carrier relationships. *Id.*

81. Under Qwest's UDIT-EUDIT distinction, UDIT is Qwest's proposal for dedicated transport between Qwest's wire centers. *Id.* at p. 32. If a CLEC wants dedicated transport from its wire center (or an IXC from its POP) to a Qwest wire center (the first wire center is called the SWC by Qwest), the CLEC would order EUDIT. *Id.* UDIT is a distance-sensitive, flat-rated rate element. *Id.* EUDIT is flat-rated, non-distance sensitive. *Id.* The CLEC end of EUDIT also does not contain the electronics necessary to provide the CLEC with the capability of the UNE. *Id.* The FCC did not make a distinction between dedicated transport between ILEC wire centers and dedicated transport between an ILEC wire center and a CLEC wire center. *Id.* It is all defined as dedicated transport. *Id.* AT&T's position is that the entire dedicated transport link from point A to point Z should be based on a distance sensitive, flat rate charge which will more accurately reflect the costs to the CLEC. *Id.*

82. AT&T also stated that the FCC requires dedicated transport to be recovered through a flat rate charge. *Id.* at p. 32. Qwest's rate structure for EUDIT does not follow the FCC's guidelines, because the rate for the EUDIT is non-distance sensitive but is an average rate. *Id.*

83. Additionally, AT&T stated that the EUDIT/UDIT distinction also imposes disincentives on the CLEC to build facilities to a meet point between the CLEC wire center and Qwest SWC. *Id.* at p. 33. Other problems include the ordering of EUDIT/UDIT on separate ASRs unless the EUDIT and UDIT are of the same bandwidth and do not require multiplexing which could add days to the standard intervals. *Id.* The Qwest proposal is also discriminatory because CLECs are also carriers, and the same ability to obtain dedicated transport on a distance-sensitive rate from Qwest wire center to the CLEC wire center should also be available. *Id.* at p. 33-34.

84. Finally, the EUDIT does not have electronics on the CLEC end which the FCC made clear that dedicated transport includes the electronics: "We clarify that this definition includes all technically feasible capacity-related services, including those provided by electronics that are necessary components of the functionality of capacity-related services and are used to originate and terminate telecommunications services." *Id.* at p. 34. AT&T recommends this Commission order Qwest to eliminate the EUDIT/UDIT distinction, provide dedicated transport between all required locations on a flat rate, distance-sensitive basis and require Qwest to provide the electronics on dedicated transport terminating at a CLEC wire center. *Id.* at p. 35.

85. MCIW also argued that Qwest improperly disaggregates unbundled dedicated transport into various subparts and concurs with AT&T's concerns on this issue. MCIW May 18, 2001 at p. 4. As an unbundled network element, CLECs are permitted to use UDIT with none of the restrictions imposed by Qwest by its disaggregating of UDIT into separate subparts, UDIT and EUDIT. *Id.* The sole effect of this disaggregation is to raise the costs of doing business for CLECs as is evident from the prices proposed in Exhibit A to the SGAT for these subparts. *Id.*

86. Qwest is requiring CLECs to build triplicate facilities that are inefficient, costly, and a barrier to entry as described in three exhibits depicting the variations of constructing its network under Qwest's approach that addressed: 1) dedicated transport only, 2) dedicated transport, and EF, UDIT, and EUDIT, and 3) dedicated transport, EF, UDIT, EUDIT, and private line network. *Id.* MCIW requests that Qwest provide a single transport "pipe" where services can be delivered to gain efficiencies in its network. *Id.* at p. 4-5. MCIW also recommends that the Commission allow MCIW and other CLECs the ability to build efficient networks, without having to build triplicate facilities required by Qwest. *Id.*

87. Covad argued that Qwest's SGAT Section 9.6.1.1 created an unwarranted and artificial distinction between: (1) dedicated transport from one Qwest wire center to another (UDIT), and (2) dedicated transport from a Qwest wire center to a CLEC wire center (EUDIT). Covad Brief at p. 5. This distinction is grounded in neither a principled basis upon which to differentiate the two transport scenarios, nor applicable law. *Id.*



88. Covad went on to state that Qwest has utilized EUDIT as an anti-competitive device and that Qwest extorts from CLECs significantly greater amounts of money for the purchase of EUDIT than UDIT. *Id.* at 6. Through the creation of EUDIT, Qwest artificially inflates the price for transport and forces CLECs to shoulder a greater financial burden when purchasing transport thereby placing CLECs on an uneven competitive footing. *Id.*

89. Finally, Covad stated that Qwest's ordering requirements for, and provisioning of, EUDIT (e.g. the submission of two ASRs and the assignment of two separate circuit identification numbers), interposes unnecessary delay and administrative complication where none should exist – to the detriment of the CLECs. *Id.* at p. 6-7. Because EUDIT does not comport with the FCC rules, Qwest must modify its SGAT to eliminate the EUDIT product and to make all necessary conforming SGAT changes, including but limited to, ordering changes (one ASR), rate changes (the UDIT rate) and interval changes (the standard UDIT interval in Exhibit C). *Id.*

90. Qwest argued that its proposed rate design is consistent with the way costs for facilities analogous to UDIT and EUDIT have historically been recovered. Qwest May 18, 2001 Brief at p. 33. By delineating the unbundled dedicated transport between the Qwest serving wire center and the CLEC central office as "EUDIT", Qwest's intent was to clearly identify that this specific segment of dedicated transport has historically been recovered as a non-distance-sensitive rate element. *Id.* All other interoffice transport has typically been cost modeled and rated on a fixed and per mile basis. *Id.*

91. Since Qwest's position is that the distinction between UDIT and EUDIT is a question of rate design, Qwest recommends that the cost and rate structure issues associated with the EUDIT portion of unbundled transport be deferred to the Cost Docket. *Id.* at 34.

**b. Discussion and Staff Recommendation**

92. Staff agrees with AT&T, MCIW and Covad. The FCC Orders do not make a distinction between dedicated transport between ILEC wire centers and dedicated transport between an ILEC wire center and a CLEC wire center. As AT&T, MCIW and Covad pointed out in their Briefs, Qwest, through this differentiation, has introduced an unwarranted distinction which creates inherent disadvantages for the CLECs and their ability to effectively compete with Qwest in the future. The problems arising from this separate classification were well documented by the CLECs, i.e., rate structure differences, including what on its face appears to be discriminatory treatment of CLECs by charging them a different rate structure for dedicated transport, potential problems in ordering and provisioning resulting from the distinction, and failure to include the necessary electronics to provide CLECs with full functionality as required under the FCC Orders. Staff recommends that Qwest be required to modify its SGAT to eliminate the EUDIT product altogether.

93. As for rate structure issues, Staff agreed with the parties that the actual rates for UDIT and other transport elements should be established in the pending Arizona Cost Docket.

94. In its Comments to Staff's Proposed Findings of Fact and Conclusions of Law, AT&T noted that while it agreed with Staff's conclusion, Staff never concluded that Qwest must provide electronics at the CLEC end of dedicated transport. *Id.* at p. 2. AT&T cited the *UNE Remand Order*, para. 323, among others. In that paragraph, the FCC clarified that the definition of dedicated transport included "all technically feasible capacity-related services, including those provided by electronics that are necessary components of the functionality of capacity-related services and are used to originate and terminate telecommunications services." *Id.* As to the issue of channel regeneration and associated equipment for transport transmission facilities, Staff agrees with AT&T on this point, that according to the *UNE Remand Order* this is included within the definition of dedicated transport. This does not mean, however, that Qwest cannot recover its costs associated with channel regeneration, as part of its UNE rate.

**DISPUTED ISSUE NO. 3: Applicability of the local use restriction to EUDIT (may CLECs use EUDIT as a substitute for special access services?) (TR-13)**

**a. Summary of Qwest and CLEC Positions**

95. AT&T argued that Section 9.6.2.4 of the SGAT imposes unlawful restrictions on the use of unbundled interoffice transport. AT&T Brief at p. 36. The language prohibits the use of interoffice transport as a substitute for special or switched access services "except to the extent CLEC provides such services to its end user customers in association with local exchange services or to the extent that such UNEs meet the significant amount of local exchange traffic requirement set forth in section 9.23.3.7.2". *Id.*

96. The FCC has made it clear that ILECs cannot place any restrictions on the use of UNEs and reaffirmed its position in the *UNE Remand Order*. *Id.* at p. 36. In the *UNE Remand Order*, the FCC made clear that requesting carriers can order loop and transport combinations to provide interexchange service without any requirement to provide a certain amount of local exchange traffic. *Id.* The FCC modified its conclusion in paragraph 486 of the *UNE Remand Order*, stating that CLECs or IXCs could not convert special access to combinations of loop and transport unless it provided a significant amount of local exchange service to a particular customer. *Id.* at p. 36-37.

97. AT&T argues that Qwest's language in Section 9.6.2.4 must be rejected as inconsistent with the provisions of the *UNE Remand Order*. *Id.* at p. 38.

98. MCIW also argued that Qwest's SGAT section 9.6.2.4 does not address EELs or the combination of an unbundled loop, multiplexing/concentrating equipment and dedicated transport but rather addresses UDIT, which the FCC has defined as a

network element. MCIW May 18, 2001 at p. 3. An EEL, on the other hand, is not a network element, but a combination of network elements. *Id.* Section 9.6.2.4 imposes improper limitations and restrictions on this network element by precluding the use of EUDIT as a substitute for special or switched access services except to the extent a CLEC provides "a significant amount of local exchange traffic" to its end users over the UDF. *Id.* Accordingly, MCIW recommends that Section 9.6.2.4 of Qwest's SGAT be deleted. *Id.*

99. Qwest argued that the language in Section 9.6.2.4 that CLECs may not use EUDIT as a substitute for special access is consistent with the FCC's *UNE Remand Order*. Qwest May 18, 2001 at p. 34. Paragraph 489 of the FCC's *UNE Remand Order* states:

We conclude that the record in this phase of the proceeding is insufficient for us to determine whether or how our rules should apply in the discrete situation involving the use of dedicated transport links between the incumbent LEC's serving wire center and an interexchange carrier's switch or point of presence (or "entrance facilities"). . . We believe that we should fully explore the policy ramifications of applying our rules in a way that potentially could cause a significant reduction of the incumbent LEC's special access revenues prior to full implementation of access charge and universal service reform. Therefore, we set certain discrete issues for further comment below

*Id.* at p. 34-35. The FCC has asked for comment regarding whether EUDIT and unbundled transport in general could be used as a substitute for special or switched access services. *Id.* While Qwest believes that this language is proper and appropriate, until the FCC rules on this issue, Qwest will concede this issue. *Id.* at p. 35. Qwest has included the following SGAT language in Section 9.6.2.4 in the SGAT that memorializes Qwest's agreement not to apply the local use restriction EUDIT until the FCC resolves the issue:

9.6.2.4 CLEC shall not use EUDIT as a substitute for special or Switched Access Services, except to the extent CLEC provides such services to its end user customers in association with local exchange services. Pending resolution by the FCC, Qwest will not apply the local use restrictions contained in 9.23.3.7.2.

**b. Discussion and Staff Recommendation**

100. With Qwest's agreement not to apply the local use restrictions contained in SGAT Section 9.23.3.7.2, Staff considers this issue to be temporarily resolved. As noted by Qwest in its Brief, the FCC has asked for comment regarding whether EUDIT and unbundled transport in general could be used as a substitute for special or switched access services. Qwest has stated that until the FCC rules on this issue, it will concede the issue to the CLECs and has proposed modifications to its SGAT Section 9.6.2.4.

101. Therefore, in its Proposed Findings of Fact and Conclusions of Law, Staff supported Qwest's proposed modification to SGAT Section 9.6.2.4 and recommended that the modified language be adopted.

102. In its Comments to Staff's Proposed Findings of Fact and Conclusions of Law, WorldCom stated that in view of Staff's proposed resolution of Disputed Issue No. 2 (elimination of the EUDIT distinction) that any reference to EUDIT in the SGAT is inappropriate. Therefore, WorldCom recommended that Section 9.6.2.4 be stricken as proposed by WorldCom since it continues to refer to EUDIT.

103. AT&T concurred, however it stated that it did not oppose adoption of SGAT Section 9.6.2.4 if modified to be consistent with the conclusion in the Staff Report to eliminate the EUDIT product altogether. AT&T Comments at p. 3. AT&T went on to state that the word "EUDIT" should be removed and in lieu thereof the following language should be inserted: "UDIT between a Qwest wire center and CLEC's wire center." Id. Staff agrees that with the elimination of the EUDIT product altogether, Qwest should make conforming changes to Section 9.6.2.4 of its SGAT, including the change recommended by AT&T. Staff assumes that this will resolve WorldCom's concerns as well.

**DISPUTED ISSUE NO. 4: Whether it is appropriate for EUDIT to be used exclusively to carry internet traffic? Also, does the local use restriction apply to EUDIT?**

**a. Summary of Qwest and CLEC Positions**

104. Covad argued that Qwest prohibits CLECs from using EUDIT to transport internet traffic which is improper and unlawful for five reasons: First, Qwest's local use restriction on EUDIT comes cloaked in the guise of "cooperation" to resolve issues with CLECs. Covad May 18, 2001 Brief at p. 8. Since Qwest provided no evidentiary basis upon which to ground its local use restriction on EUDIT, it must be eliminated from the SGAT. Id. at p. 9. Second, Qwest's local use restriction is nothing more than a thinly veiled attempt to drive DLECs out of business. Id. at p. 10. Qwest's attempt to preserve and require the purchase of switched and special access services operates to eliminate completely Covad's ability to transport data traffic within its network. Id. Third, EUDIT is Qwest's creation and the direct result of Qwest's refusal to permit Covad to collocate its ATM in its collocation space in Qwest central offices. Id. at p. 10. At the same time Qwest necessarily creates a demand on the part of Covad for EUDIT, however, it simultaneously prohibits Covad from using that product for the very purpose for which it was ordered – to transport internet traffic to its network equipment. Id. at p. 11. Fourth, the EUDIT restriction improperly discriminates between CLECs. Id. Qwest imposes on those CLECs who are required to purchase both UDIT and EUDIT a local use restriction, whereas CLEC's purchasing only UDIT are free from any such obligation. Id. Finally, Qwest's positions on EUDIT are logically and legally inconsistent. Id. The Commission must require that Qwest eliminate the local use restriction on EUDIT. Id. at p. 12.

105. Qwest argued that Internet traffic is interstate traffic, not local traffic and that therefore, the EEL UNE cannot be used to carry 100% interstate internet traffic. Qwest May 18, 2001 Brief at p. 35. However, Qwest believes that the issue of whether the local use restriction applies to EUDIT should be closed because, as stated in Disputed Issue No. 4 (TR-13), Qwest has agreed not to apply the local use restriction to EUDIT pending resolution of the issue by the FCC as shown by SGAT Section 9.6.2.4. Id. Until the FCC resolves the issue, Qwest will not apply the local use restriction to EUDIT. Id. at p. 36.

**b. Discussion and Staff Recommendation**

106. Covad's arguments center primarily on application of the local use restrictions to EUDIT which would act to prohibit CLECs from using EUDIT to transport purely Internet traffic. However, as noted by Qwest in its Brief, Qwest has agreed to modified language in its SGAT which would prohibit it from applying the local use restriction to EUDIT (UDIT) pending resolution of the issue by the FCC. Therefore, this appears to be a non-issue at this point in time pending a determination by the FCC.

107. The FCC is also apparently addressing this issue as it uniquely pertains to internet bound traffic. Staff considers this issue to be resolved and recommends that Qwest's proposed SGAT language discussed in the Impasse Issue 3 be adopted.

**h. Verification of Compliance**

108. The parties resolved all outstanding issues regarding Qwest's compliance with Checklist Item 5, with the exception of the four impasse issues discussed above.

109. Qwest has also agreed to allow all CLECs to opt into the revised SGAT provisions resulting from these Workshops.

110. After considering the record herein and subject to Qwest's modifying its SGAT language consistent with the resolution of the impasse issues discussed above, Staff recommends that Qwest be found to comply with Checklist Item 5 which requires Qwest to provide or offer to provide "[l]ocal transport from the trunk side of a wireline local exchange carrier switch unbundled from switching or other services."

111. Upon consideration of the record herein and subject to Qwest's modifying its SGAT language consistent with the resolution of the impasse issues discussed above, Staff recommends that Qwest be found to comply with Section 271(c)(2)(B)(ii), which requires Qwest to provide nondiscriminatory access to local transport in accordance with the requirements of Sections 251(c)(3) and 252(d)(1).

112. Qwest's compliance with Checklist Item 5 is dependent upon its satisfactory performance with regard to any relevant performance measurements in the Third Party OSS Test in Arizona.

## II. CONCLUSIONS OF LAW

1. 47 U.S.C. Section 271 contains the general terms and conditions for BOC entry into the interLATA market.
2. Qwest is a public service corporation within the meaning of Article XV of the Arizona Constitution and A.R.S. Sections 40-281 and 40-282 and the Arizona Commission has jurisdiction over Qwest.
3. Qwest is a Bell Operating Company as defined in 47 U.S.C. Section 153 and currently may only provide interLATA services originating in any of its in-region States (as defined in subsection (I)) if the FCC approves the application under 47 U.S.C. Section 271(d)(3).
4. The Arizona Commission is a "State Commission" as that term is defined in 47 U.S.C. Section 153(41).
5. Pursuant to 47 U.S.C. Section 271(d)(2)(B), before making any determination under this subsection, the FCC is required to consult with the State Commission of any State that is the subject of the application in order to verify the compliance of the Bell operating company with the requirements of subsection (c).
6. In order to obtain Section 271 authorization, Qwest must, inter alia, meet the requirements of Section 271(c)(2)(B), the Competitive Checklist.
7. Section 271(c)(2)(B)(v) of the Telecommunications Act of 1996 requires a Section 271 applicant to provide or offer to provide "[l]ocal transport from the trunk side of a wireline local exchange carrier switch unbundled from switching or other services."
8. Section 271(c)(2)(B)(ii) requires a Section 271 applicant to provide "[n]ondiscriminatory access to network elements in accordance with the requirements of sections 251(c)(3) and 252(d)(1)."
9. Section 251(c)(3) establishes an incumbent LECs "duty to provide, to any requesting telecommunications carrier for the provision of a telecommunications service, nondiscriminatory access to network elements on an unbundled basis at any technically feasible point on rates, terms, and conditions that are just, reasonable, and nondiscriminatory in accordance with the terms and conditions of the agreement and the requirements of [section 251] . . . and section 252."
10. As a result of the proceedings and record herein, and subject to Qwest modifying its SGAT language consistent with the resolution of the impasse issues contained above, Qwest meets the requirements of Section 271(c)(2)(B)(v) and provides

DECISION NO. 64216

or offers to provide local transport from the trunk side of a wireline local exchange carrier switch unbundled from switching or other services.

11. Qwest's compliance with Checklist Item 5 is also contingent on its passing of any relevant performance measurements in the third-party OSS test now underway in Arizona.